

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Caro, Michigan

Report on Financial Statements
June 30, 2008

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

August 29, 2008

Independent Auditor's Report

To the Board of Education
Tuscola Intermediate School District
Caro, Michigan 48723

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuscola Intermediate School District, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Tuscola Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Tuscola Intermediate School District as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of Tuscola Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

715 East Frank Street
Caro, MI 48723

989-673-3137
800-234-8829
Fax 989-673-3375

www.atbdona.com
cpa@atbdcpa.com

Office locations in Caro,
Cass City & Marlette

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Tuscola Intermediate School District's basic financial statements. The additional information on pages 24 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
CARO, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Tuscola Intermediate School District, located in Caro, Michigan is one of 57 Intermediate School Districts in the State of Michigan and serves the nine local school districts in Tuscola County. TISD has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34).

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds remains stable for TISD and follow the state and federal economy with reductions in categorical grant funds and educational grants in general. The Tuscola ISD continues to partner with neighboring Huron, Sanilac, and Lapeer ISDs in providing services in the Instructional arena for teachers and administrators. These collaborative efforts have allowed Thumb ISDs to continue some of the teacher training in the Student Achievement Model, Literacy, and other programs. A plan is being developed to also partner in 2009-10 with the Saginaw ISD to provide REMC (Regional Educational Media Center) Services.

The assets of Tuscola Intermediate School District exceeded its liabilities at the close of Fiscal Year 2008 by \$12,363,779 (net assets). Of this amount, \$7,273,699 (unrestricted net assets) may be used to meet the District's ongoing obligations to students, taxpayers, and creditors.

The District's total net assets increased by \$1,442,706.

As of the close of the current fiscal year, the district's governmental fund reported combined ending fund balances of \$7,959,516 an increase of \$1,686,797 in comparison with the prior year.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (general fund, special education fund, Tuscola technology education fund) was \$7,389,473 or 33% of the total expenditures (\$22,206,219) of these operating funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the district's basic financial statements. The district's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and

3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements display functions of the district that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the district include instruction, support services, and transfers to locals and other services. The district has no business-type activities as of and for the year ended June 30, 2008.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district fall within the governmental fund type category.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The district maintains six different government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund and the Tuscola technology education fund, each of which are considered to be a major fund. Data from the other three government funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 24 and 26.

The district adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3 & 4, and 6 & 7 of this report, with reconciliations between the two types of statements on pages 5 & 8.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the district's major funds. Required supplementary information can be found on pages 21-23 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the supplementary information.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Government-wide Financial Analysis

The school district's net assets were \$12,363,779 at June 30, 2008. Of this amount, \$7,273,699 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school district's ability to use those net assets for day-to-day operations.

District's Net Assets

	June 30, 2007	June 30, 2008
Current assets	15,397,508	17,341,725
Non-current assets	6,752,775	6,409,561
Total Assets	22,150,283	23,751,286
Current liabilities	8,406,242	8,660,470
Non-current liabilities	2,802,968	2,727,037
Total Liabilities	11,209,210	11,387,507
Net Assets:		
Invested in capital assets, net of related debt	4,929,489	4,586,275
Restricted – Debt Service	401,112	503,805
Unrestricted	5,610,472	7,273,699
Total Net Assets	10,941,073	12,363,779

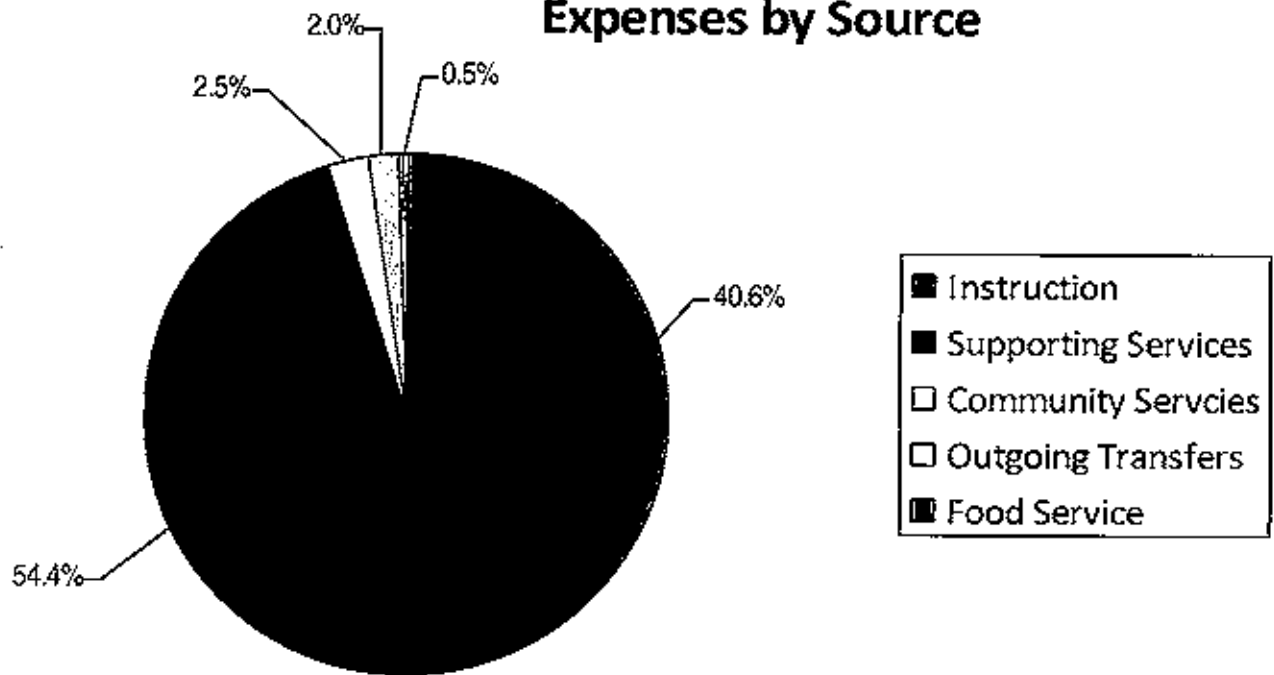
At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental-type activities.

District's Changes in Net Assets

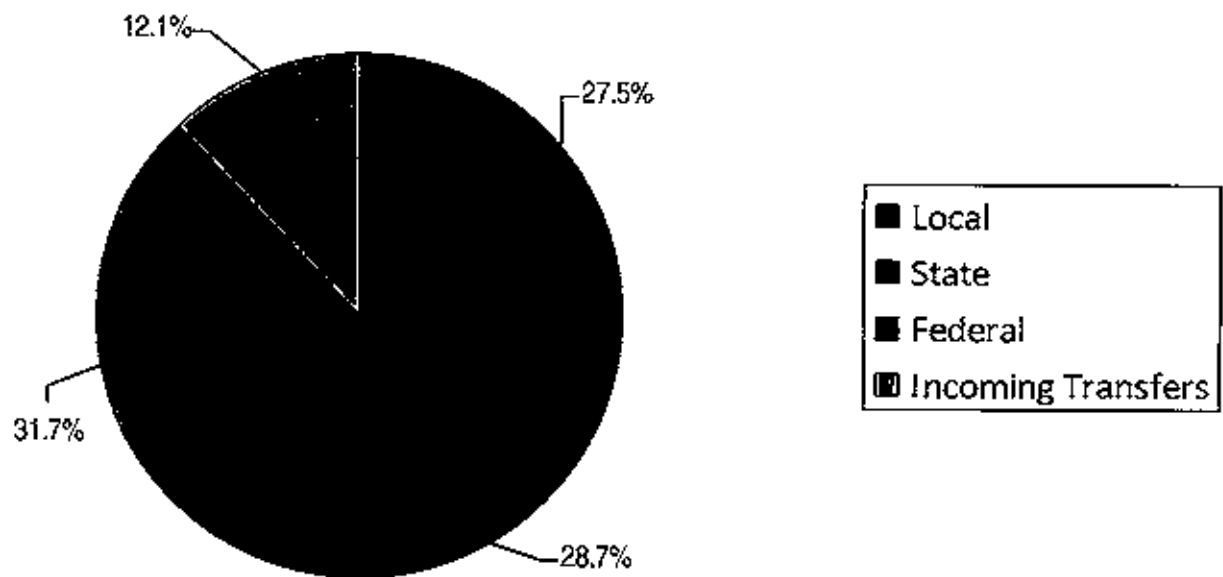
Governmental Activities	June 30, 2007	June 30, 2008
Revenue:		
Program Revenue:		
Charges for services	1,819,676	2,230,844
Operating grants	6,777,616	7,371,960
General Revenue:		
Property taxes, levied for general purposes	7,286,948	6,902,972
Investment earnings	212,441	164,459
State sources	6,614,712	7,570,809
Other	573,498	560,619
Total Revenue	23,284,891	24,801,663
Expenses:		
Instruction	9,167,190	9,142,916
Supporting services	11,879,983	12,660,592
Food Service	105,133	111,463
Community Services	466,325	574,171
Outgoing transfers and other	604,854	470,297
Interest on long-term debt	13,451	9,363
Unallocated depreciation	408,483	410,155
Total Expenses	22,645,419	23,378,957

Governmental Activities. Net assets increased by \$1,422,706 in 2007-2008. Net assets increased by \$639,472 in 2006-2007.

Expenses by Source



Revenues by Source



Major Governmental Funds Budgeting and Operating Highlights

The school districts budgets are prepared according to Michigan Law. The most significant budgeted funds are the general fund, special education fund, and the Tuscola technology education fund.

During the fiscal year ended June 30, 2008, the school district amended the budgets of these major governmental funds three times.

General Fund had a variance between the final revenue budget and the actual revenue of approximately \$7,619. The difference was the result of budgeting more than we received in both local and state sources and budgeting less than we received in federal sources.

The variance between the final expenditure budget and the actual expenses was \$124,628. Our expenses were lower than anticipated in all areas. The Durant funds were budgeted but not used this year. The equipment and repair of equipment that had been budgeted for, was not needed. Expenses in Fiscal Services and O & M were not as high as had been expected.

General Fund had total revenues and transfers in of \$1,334,162 and total expenditures and transfers out of \$1,211,271 with an ending fund balance of \$587,723. This was an increase of \$122,891 over last year.

Special Education Fund actual revenue was \$17.6 million. That amount is above the original budget of \$17.2 million and above the final amendment of \$17.5 million.

Special Education revenues were more than budgeted due to receiving more than anticipated revenue for Medicaid School Based services.

The actual expenditures and transfers out of the special education fund were \$16.4 million which is below the original budget of \$17.22 million and below the final amendment of \$17.26 million.

Final expenditures were less than budgeted in several of the programs due to staff changes, cost cutting measures, and conservative budgeting practices. In addition, reimbursable expenditures for local district programs were lower than anticipated.

Technology Education Fund actual revenue was \$5.43 million. The amount is above the original budget of \$5.2 million and only \$9,900 below the final amendment of \$5.44 million.

The actual expenditures and transfers out were \$5.24 million, which is slightly above the original budget of \$5.22 million and below but very close to the final amendment of \$5.29 million.

Technology Education revenue was more than budgeted due to receiving more than anticipated in property taxes and Adult Ed Tuition. The increase in revenue was offset by a decrease in Construction Technology resale revenue due to a house not being sold in 2007-2008.

Technology Education Fund had total revenue of \$5.43 million and total expenditures of \$5.24 million with an ending fund balance of \$1,221,580 which is a \$193,292 increase over 2006-2007.

Capital Asset and Debt Administration

Capital Assets – at the end of fiscal year 2007-08, the district had \$14 million invested in land, buildings, office, instructional, and transportation equipment. Of this amount, \$7.7 million in depreciation has been taken over the years. The district has net capital assets of \$6.4 million.

District's Capital Assets (Net of depreciation) June 30, 2007

	2006-2007	2007-2008
Land – not being depreciated	131,000	131,000
Buildings and improvements	10,510,931	10,510,931
Office and instructional equipment	2,009,586	2,043,283
Transportation equipment	1,281,025	1,412,525
Subtotal	13,801,542	13,966,739
Accumulated depreciation	(7,179,767)	(7,688,178)
Net capital assets	6,752,775	6,409,561

Additional information on the District's capital assets can be found on page 18 of this report.

Long-term Debt – at the end of the current fiscal year, the district had a total debt outstanding of \$1,823,286. Of this balance, \$323,286 is not a general obligation of the district and does not constitute an indebtedness of the district within any constitutional or statutory limitation, and is payable solely from state aid payments from the State of Michigan. The remaining balance of \$1.5 million represents general obligations of the district. Additional information on the District's long-term debt can be found on pages 18-19.

Economic Factors and Next Year's Budget

The economy in the State of Michigan, along with the economy in the country, continues to be sluggish, and even worse than in the past two years. General Education Funds, provided in Section 81, remain the same while there continues to be significant increases in employer paid insurance. Retirement costs this past year have remained stable, however, we do not know if there will be increases in the next year. Categorical funding and state and federal grants will, at best, remain the same; however, the economic outlook is very bleak. All efforts to continue and to increase collaboration with neighboring ISDs will continue in the next year so that program cuts will not be required.

Requests for Information

The financial report is designed to provide a general overview of the district's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Tuscola Intermediate School District, 1385 Cleaver Road, Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 1,017,833
Investments	12,767,903
Property taxes receivable	47,622
Accounts receivable	4,569
State Aid receivable	768,742
Due from other governmental units	<u>2,735,056</u>
TOTAL CURRENT ASSETS	<u>17,341,725</u>
NONCURRENT ASSETS:	
Capital assets	14,097,739
Less accumulated depreciation	<u>(7,688,178)</u>
TOTAL NONCURRENT ASSETS	<u>6,409,561</u>
TOTAL ASSETS	<u><u>\$ 23,751,286</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 367,562
Accrued salaries & benefits	1,018,614
Accrued interest	64,154
Accrued payroll taxes	254,890
Deferred revenue	6,924,779
Current portion of long term debt	<u>30,471</u>
TOTAL CURRENT LIABILITIES	<u>8,660,470</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	1,792,815
Compensated absences	<u>934,222</u>
TOTAL NONCURRENT LIABILITIES	<u>2,727,037</u>
NET ASSETS:	
Invested in capital assets, net of related debt	4,586,275
Restricted for debt service	503,805
Unrestricted	<u>7,273,699</u>
TOTAL NET ASSETS	<u>12,363,779</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,751,286</u></u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 9,142,916		\$ 4,127,327	\$ (5,015,589)
Support services	12,660,592	\$ 2,014,149	3,239,888	(7,406,755)
Community services	574,171	189,261		(384,910)
Food services	111,463	27,434	4,945	(79,084)
Transfers to other districts	470,297	-		(470,297)
Interest on long-term debt	9,363			(9,363)
Unallocated depreciation	410,155			(410,155)
Total governmental activities	<u>\$23,378,957</u>	<u>\$ 2,230,844</u>	<u>\$ 7,371,960</u>	(13,776,153)
General revenues:				
Property taxes, levied for general purposes				6,902,972
State sources				7,570,809
Investment revenue				164,459
Miscellaneous				<u>560,619</u>
Total general revenue				<u>15,198,859</u>
Change in net assets				1,422,706
Net assets, beginning of year				<u>10,941,073</u>
Net assets, end of year				<u>\$ 12,363,779</u>

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>TUSCOLA TECHNOLOGY</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 121,276	\$ 653,295	\$ 192,755
Investments	415,865	10,911,908	936,325
Accounts receivable	81	-	1,652
Due from other governmental units	205,037	2,064,617	445,610
Due from other funds	794	5,943	-
TOTAL ASSETS	<u>\$ 743,053</u>	<u>\$ 13,635,763</u>	<u>\$ 1,576,342</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 8,631	\$ 300,488	\$ 55,037
Accrued salaries and benefits	-	789,765	226,413
Accrued & withheld payroll taxes	7,047	192,599	54,650
Deferred revenue	138,550	6,762,076	24,153
Due to other funds	1,102	665	4,509
TOTAL LIABILITIES	<u>155,330</u>	<u>8,045,593</u>	<u>364,762</u>
FUND BALANCE:			
Unreserved:			
Designated for debt retirement			
Designated for compensated absences	85,859	584,066	251,711
Designated for future capital outlay		1,000,000	
Undesignated	501,864	4,006,104	959,869
TOTAL FUND BALANCE	<u>587,723</u>	<u>5,590,170</u>	<u>1,211,580</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 743,053</u>	<u>\$ 13,635,763</u>	<u>\$ 1,576,342</u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 50,507	\$ 1,017,833
503,805	12,767,903
2,836	4,569
19,792	2,735,056
25	6,762
<u>\$ 576,965</u>	<u>\$ 16,532,123</u>

\$ 3,406	\$ 367,562
2,436	1,018,614
594	254,890
	6,924,779
<u>486</u>	<u>6,762</u>
<u>6,922</u>	<u>8,572,607</u>

503,805	503,805
12,586	934,222
	1,000,000
<u>53,652</u>	<u>5,521,489</u>
<u>570,043</u>	<u>7,959,516</u>
<u>\$ 576,965</u>	<u>\$ 16,532,123</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 7,959,516
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	14,097,739
Accumulated depreciation is:	(7,688,178)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable	(1,823,286)
Compensated absences	(934,222)
Accrued interest is full accrual vs. modified accrual	(64,154)

Balance of State Aid receivable at 6/30/08- Section 52 & 53	768,742
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Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	<u>47,622</u>
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Net Assets of Governmental Activities	<u>\$ 12,363,779</u>
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The accompanying notes are an integral part of the financial statements

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>TUSCOLA TECHNOLOGY</u>
REVENUES:			
Local sources	\$ 370,052	\$ 5,689,741	\$ 3,458,597
State sources	635,110	8,807,675	1,250,893
Federal sources	231,342	3,126,229	719,582
TOTAL REVENUES	<u>1,236,504</u>	<u>17,623,645</u>	<u>5,429,052</u>
EXPENDITURES:			
Instruction	-	6,804,751	2,553,105
Supporting services	1,150,589	9,076,019	2,047,584
Community services	-	74,521	499,650
Food service activities	-		
Debt service	-		
TOTAL EXPENDITURES	<u>1,150,589</u>	<u>15,955,291</u>	<u>5,100,339</u>
NET CHANGE IN FUND BALANCES	85,915	1,668,354	328,713
OTHER FINANCING SOURCES (USES):			
Operating transfers in	36,500		
Operating transfers out	(37,717)	(108,790)	(19,807)
Transfer to other districts/municipalities	(22,965)	(331,718)	(115,614)
Transfers from other districts/municipalities	61,158	-	
TOTAL OTHER FINANCING SOURCES (USES)	36,976	(440,508)	(135,421)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>122,891</u>	<u>1,227,846</u>	<u>193,292</u>
FUND BALANCE - BEGINNING OF YEAR	<u>464,832</u>	<u>4,362,324</u>	<u>1,018,288</u>
FUND BALANCE - END OF YEAR	<u>\$ 587,723</u>	<u>\$ 5,590,170</u>	<u>\$ 1,211,580</u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 262,461 95,622 50,194	\$ 9,780,851 10,789,300 4,127,327
<u>408,277</u>	<u>24,697,478</u>
- 283,860 111,463 -	9,357,856 12,558,052 574,171 111,463 -
<u>395,323</u>	<u>22,601,542</u>
12,954	2,095,936
131,314 (1,500)	167,814 (167,814) (470,297) 61,158
<u>129,814</u>	<u>(409,139)</u>
<u>142,768</u>	<u>1,686,797</u>
<u>427,275</u>	<u>6,272,719</u>
<u>\$ 570,043</u>	<u>\$ 7,959,516</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008

Total net change in fund balances--governmental funds **\$ 1,686,797**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(512,694)
Capital outlay	171,317
Net book value of assets disposed	(1,837)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	54,791
Accrued interest payable at the end of the year	(64,154)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(30,738)
Accrued revenue at the end of the year	47,622
Accrued state aid at the beginning of the year	(742,600)
Accrued state aid at the end of the year	768,742

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	979,682
Accrued absences at the end of the year	(934,222)

Change in net assets of governmental activities	\$ 1,422,706
--	---------------------

The accompanying notes are an integral part of the financial statements.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 51,710</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to other organizations	<u>\$ 51,710</u>

The accompanying notes are an integral part of the financial statements.

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Tuscola Intermediate School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's major special revenue funds consist of the Special Education, and Tuscola Technology funds.

The District reports the following nonmajor governmental funds:

The *Special Revenue Funds* that are considered nonmajor consist of the Regional Education Media Center (REMC) and the Hot Lunch Fund. The District accounts for its food service activities in a special revenue fund. The District is also the fiscal agent for the Regional Educational Media Center.

The *Debt Service Fund* accounts for the servicing of general long-term debt. Durant accounts for the resources accumulated and payments made for principle and interest on long-term obligation debt as a result of the Durant settlement.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements use the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 to August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Funding for many of the Special Education programs is based on cost reimbursement formulas. Section 52 costs are reimbursed at approximately 28 percent, while section 53 costs are reimbursed at 100 percent. An estimate of the amount due under these programs has been recorded on the statement of net assets as state aid receivable.

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	0.1411
Special Revenue Funds:	
Special Education Fund	2.4502
Technical Education Fund	1.6496

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

3. Receivables and Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

4. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$3,000.

5. Compensated Absences.

Accumulated vacation and sick pay amounts that are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon retirement, accumulated sick days for professional staff and administration become vested and are payable at one half of the employees current rate of pay for a maximum of 120 days. Professional staff employed after June 1, 1995 will be paid \$60 per day for a maximum of 120 days. For paraprofessionals unused sick days are payable at the rate of \$30 per day up to a maximum of 40 days. For non-union clerical employees unused sick days are payable at one half the employees current rate of pay for a maximum of 100 days. An estimate of this liability has been recorded in the statement of net assets.

6. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

7. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

8. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unexpired transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget (GAAP basis) and actual - general, special revenue, debt service and capital project funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2008, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Guaranteed Investment Contract (GIC)	\$ 503,805	2.5	A1+	3.95
Co-America Government Cash Investment Fund (J Fund)	12,264,098	.0027	N/A	96.05
Total fair value	<u>\$12,767,903</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>.1026</u>		

1 day maturity equals 0.0027, one year equals 1.00

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$935,340 of the District's bank balance of \$1,035,467 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the QZAB Bonds as disclosed in Note 7.

The Investment Agreement, dated as of September 10, 2002, by and among Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS, (Continued):

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side Installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 1.62% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 51,710
Cash - District wide	1,017,833
Investments - District wide	<u>12,767,903</u>
	<u>\$13,837,446</u>

NOTE 4 - CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
Assets not being depreciated - land	\$ 131,000			\$ 131,000
Other capital assets:				
Building and Improvements	10,510,931	-	-	10,510,931
Office & Instructional Equipment	2,009,586	\$ 39,817	\$ (6,120)	2,043,283
Transportation Equipment	<u>1,281,025</u>	<u>131,500</u>	<u>-</u>	<u>1,412,525</u>
Subtotal - Other	13,801,542	171,317	(6,120)	13,966,739
Accumulated depreciation:				
Building and Improvements	(5,035,202)	(296,869)	-	(5,332,061)
Office & Instructional Equipment	(1,242,972)	(110,715)	4,284	(1,349,403)
Transportation Equipment	<u>(901,593)</u>	<u>(105,121)</u>	<u>-</u>	<u>(1,006,714)</u>
Total accumulated depreciation	<u>(7,179,767)</u>	<u>(512,695)</u>	<u>4,284</u>	<u>(7,688,178)</u>
Net Other capital assets:	<u>6,621,775</u>	<u>(341,378)</u>	<u>(1,836)</u>	<u>6,278,561</u>
Net capital assets	<u>\$6,752,775</u>	<u>\$ (341,378)</u>	<u>\$ (1,836)</u>	<u>\$6,409,561</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$512,694. Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Supporting services	\$102,539
Unallocated	<u>410,155</u>
	<u>\$512,694</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - OPERATING LEASES:

The District leases office equipment under operating lease agreements that expire at various dates. Lease expense for the year amounted to \$19,276. At June 30, 2008, future lease payments under such leases are as follows:

June 30, 2009	\$19,236
June 30, 2010	19,236
June 30, 2011	19,236
June 30, 2012	17,633

NOTE 6 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 7 - LONG-TERM DEBT:

The District issued bonds to provide funds for the acquisition, construction and improvement of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2002 Qualified Zone Academy Bonds in the amount of one million five hundred thousand (\$1,500,000). The bonds are interest free and are repayable September 10, 2016. The District is required to set aside \$96,314 beginning on September 10, 2003 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the Bonds.	\$1,500,000
1998 limited obligation bonds (Durant bonds) (face amount \$547,514) due in annual installments ranging from \$30,471 to \$192,424 through May 15, 2013 with interest at 4.76%	<u>323,286</u>

Total long-term debt	<u>\$1,823,286</u>
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DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 30,471	\$ 7,978	\$ 38,449
2010	31,920	6,527	38,447
2011	33,441	5,007	38,448
2012	35,031	3,415	38,446
2013	192,423	65,901	258,324
2014-2018	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
	1,823,286	88,828	1,912,114
Accumulated compensated absences	<u>934,222</u>	<u>-</u>	<u>934,222</u>
	<u>\$2,757,508</u>	<u>\$88,828</u>	<u>\$2,846,336</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 7 - LONG-TERM DEBT (Continued):

CHANGES IN LONG-TERM DEBT:

The following is a summary of the changes in long-term debt of the District:

	ACCUMULATED SICK & VACATION PAY	GENERAL OBLIGATIONS
Long-term debt, July 1, 2007	\$ 979,682	\$1,823,286
Net decrease in compensated absences	(15,114)	
Durant payment		
Compensated absences paid	(30,346)	-
Long-term debt, June 30, 2008	<u>\$ 934,222</u>	<u>\$1,823,286</u>

At June 30, 2008 net assets of \$503,805 were available in the debt service fund to service the general obligation debt.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus and additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the district are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were approximately \$1,999,078 \$1,988,092 and \$1,766,460, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

OTHER POST-EMPLOYMENT BENEFITS:

Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

A recap of the interfund receivables and payables that exist at June 30, 2007 is as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 794	\$ 1,102
Tuscola Technology Fund	-	4,509
Special Education	5,943	665
REMC	25	177
Hot Lunch	<u>-</u>	<u>309</u>
Total	<u>\$ 6,762</u>	<u>\$ 6,762</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 10 – TRANSFERS

Transfers were made from the General Fund, Special Education Fund and the Tuscola Technology Fund to the Debt Retirement Fund for future QZAB obligations. Other transfers were made to supplement program costs. A summary is as follows:

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$ 36,500	\$ 37,717
Special Education Fund	-	108,790
Tuscola Technology Fund	-	19,807
REMC	-	1,500
Debt Retirement Fund	98,314	-
Hot Lunch Fund	<u>35,000</u>	<u>-</u>
Total	<u>\$167,814</u>	<u>\$167,814</u>

NOTE 11 – CONTINGENCY & OTHER MATTERS

The District is holding \$6.65 million of Medicaid funds that it collected as the lead district for a consortium of other intermediate school districts. Negotiations are still ongoing between the State of Michigan and the U.S. Department of Health and Human Services regarding whether certain costs that had been claimed are allowable. The amount that will have to be repaid is uncertain.

The Board has designated \$1,000,000 of the Special Education fund balance for future capital outlay. The designated amount consists of \$300,000 for a parking lot, and \$700,000 for a preschool facility.

REQUIRED SUPPLEMENTARY INFORMATION

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 337,689	\$ 380,486	\$ 370,052	\$ (10,434)
State sources	667,577	667,762	636,110	(32,652)
Federal sources	267,928	180,637	231,342	50,705
TOTAL REVENUE	1,273,194	1,228,885	1,236,504	7,619
EXPENDITURES:				
Supporting Services				
Pupil	50,000	50,823	43,505	7,318
Instructional Staff	332,674	432,507	415,899	16,608
Support Services General Administration	532,569	494,838	453,866	40,972
Business	17,350	14,687	9,974	4,713
Operation & Maintenance	47,073	69,152	61,674	7,478
Central	146,852	213,210	166,671	47,539
TOTAL EXPENDITURES	1,126,518	1,275,217	1,150,589	124,628
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	146,676	(46,332)	85,915	132,247
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,050	37,050	36,500	(550)
Transfers to other funds	(37,717)	(37,717)	(37,717)	-
Transfer to other districts/municipalities	(127,500)	(22,965)	(22,965)	-
Transfers from other districts/municipalities	16,491	74,242	61,158	(13,084)
TOTAL OTHER FINANCING SOURCES (USES)	(146,676)	50,610	36,976	(13,634)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	-	4,278	122,891	118,613
FUND BALANCE - JULY 1	464,832	464,832	464,832	-
FUND BALANCE - JUNE 30	\$ 464,832	\$ 469,110	\$ 587,723	\$ 118,613

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 5,504,530	\$ 5,588,732	\$ 5,689,741	\$ 101,009
State sources	8,666,756	8,797,209	8,807,675	10,466
Federal sources	3,018,488	3,103,521	3,126,229	22,708
TOTAL REVENUE	17,189,774	17,489,462	17,623,645	134,183
EXPENDITURES:				
Instruction				
Added needs	7,260,755	7,078,855	6,804,751	274,104
Supporting services				
Pupil	4,813,536	4,890,911	4,775,549	115,362
Instructional staff	1,353,648	1,489,045	1,313,027	176,018
School administration	679,246	671,637	574,097	97,540
Business	191,007	228,996	234,238	(5,242)
Operation & maintenance	726,480	649,117	530,281	118,836
Transportation	1,451,766	1,567,580	1,531,443	36,117
Central	126,060	135,624	117,384	18,240
Community services	83,328	92,756	74,521	18,235
TOTAL EXPENDITURES	16,685,826	16,804,501	15,955,291	849,210
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	503,948	684,961	1,668,354	983,393
OTHER FINANCING SOURCES (USES):				
Sale of school property	3,000	3,000	-	(3,000)
Transfers from other districts	350	350	-	(350)
Transfers to other districts	(462,000)	(381,968)	(331,718)	50,250
Transfers to other funds	(78,790)	(78,790)	(108,790)	(30,000)
TOTAL OTHER FINANCING SOURCES (USES):	(537,440)	(457,408)	(440,508)	16,900
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(33,492)	227,553	1,227,846	1,000,293
FUND BALANCE - JULY 1	4,362,324	4,362,324	4,362,324	
FUND BALANCE - JUNE 30	\$ 4,328,832	\$ 4,589,877	\$ 5,590,170	\$ 1,000,293

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TUSCOLA TECHNOLOGY EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 3,255,249	\$ 3,470,321	\$ 3,458,597	\$ (11,724)
State sources	1,272,304	1,230,834	1,250,893	20,059
Federal sources	714,829	737,838	719,562	(18,276)
TOTAL REVENUE	5,242,382	5,438,993	5,429,052	(9,941)
EXPENDITURES:				
Instruction				
Added needs	2,510,356	2,383,766	2,362,871	20,895
Adult/cont ed.	180,837	192,504	190,234	2,270
Supporting services				
Pupil	193,752	226,739	226,359	380
Instructional staff	381,891	422,067	402,803	19,264
School administration	474,547	467,945	470,247	(2,302)
Operation & maintenance	475,941	499,878	486,804	13,074
Central	378,947	461,731	461,371	360
Community services				
Direction				-
Other community services	498,042	502,087	499,650	2,437
TOTAL EXPENDITURES	5,094,313	5,156,717	5,100,339	56,378
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	148,069	282,276	328,713	46,437
OTHER FINANCING SOURCES (USES):				
Transfers from other funds		-	-	-
Transfers to other districts	(109,639)	(115,613)	(115,614)	(1)
Transfers to other funds	(19,807)	(19,807)	(19,807)	-
TOTAL OTHER FINANCING SOURCES (USES)	(129,446)	(135,420)	(135,421)	(1)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	18,623	146,856	193,292	46,436
FUND BALANCE - JULY 1	1,018,288	1,018,288	1,018,288	
FUND BALANCE - JUNE 30	\$ 1,036,911	\$ 1,165,144	\$ 1,211,580	\$ 46,436

ADDITIONAL INFORMATION

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2008

	<u>REMC</u>	<u>HOT LUNCH</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash	\$ 37,682	\$ 12,825		\$ 50,507
Investments	-	-	\$ 503,805	503,805
Accounts receivable	2,832	4	-	2,836
Due from other governmental units	17,331	2,461	-	19,792
Due from other funds	25	-	-	25
TOTAL ASSETS	<u>\$ 57,870</u>	<u>\$ 15,290</u>	<u>\$ 503,805</u>	<u>\$ 576,965</u>
<u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 3,070	\$ 336	\$ -	\$ 3,406
Accrued salaries & benefits	1,416	1,020	-	2,436
Accrued interest	-	-	-	-
Accrued & withheld payroll taxes	345	249	-	594
Due to other funds	177	309	-	486
TOTAL LIABILITIES	<u>5,008</u>	<u>1,914</u>	<u>-</u>	<u>6,922</u>
FUND BALANCE:				
Undesignated	40,276	13,376		53,652
Designated for capital outlay				-
Designated for debt retirement			503,805	503,805
Designated for accumulated compensated absences	12,586			12,586
TOTAL FUND BALANCE	<u>52,862</u>	<u>13,376</u>	<u>503,805</u>	<u>570,043</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 57,870</u>	<u>\$ 15,290</u>	<u>\$ 503,805</u>	<u>\$ 576,965</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>REMC</u>	<u>HOT LUNCH</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
REVENUE:				
Local sources	\$ 228,530	\$ 27,552	\$ 6,379	\$ 262,461
State sources	90,677	4,945	-	95,622
Federal sources	3,337	46,857	-	50,194
TOTAL REVENUE	322,544	79,354	6,379	408,277
EXPENDITURES:				
Current:				
Supporting services	283,860			283,860
Food service activities		111,463		111,463
Debt service:				
Principle redemption			-	-
Interest and fiscal charges			-	-
TOTAL EXPENDITURES	283,860	111,463	-	395,323
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	38,684	(32,109)	6,379	12,954
OTHER FINANCING SOURCES (USES):				
Operating transfer in	-	35,000	96,314	131,314
Operating transfer (out)	(1,500)	-	-	(1,500)
TOTAL OTHER FINANCING SOURCES (USES)	(1,500)	35,000	96,314	129,814
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	37,184	2,891	102,693	142,768
FUND BALANCE - JULY 1	15,678	10,485	401,112	427,275
FUND BALANCE - JUNE 30	\$ 52,862	\$ 13,376	\$ 503,805	\$ 570,043

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property taxes - current levy	\$ 234,555	\$ 229,226	\$ (5,329)
Truancy fees	45,400	43,000	(2,400)
Health Ed workshop fees	3,000	2,055	(945)
Miscellaneous	83,531	81,162	(2,369)
Income on investment	14,000	14,609	609
TOTAL REVENUE FROM LOCAL SOURCES	<u>380,486</u>	<u>370,052</u>	<u>(10,434)</u>
REVENUE FROM STATE SOURCES:			
State aid	<u>667,762</u>	<u>635,110</u>	<u>(32,652)</u>
REVENUE FROM FEDERAL SOURCES:			
Drug Free	100,058	101,051	993
Michigan Fitness Foundation	56,882	78,816	21,934
Abstinence program	22,965	22,965	-
Medicaid	-	27,778	27,778
Other sources	<u>732</u>	<u>732</u>	<u>-</u>
TOTAL REVENUES FROM FEDERAL SOURCES	180,637	231,342	50,705
SALE OF ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
TRANSFERS FROM OTHER DISTRICTS	74,242	61,158	(13,084)
TRANSFER FROM OTHER FUNDS	<u>37,050</u>	<u>36,500</u>	<u>(550)</u>
TOTAL REVENUE	<u>\$ 1,340,177</u>	<u>\$ 1,334,162</u>	<u>\$ (6,015)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
General Education Services:			
Salaries	\$ 34,444	\$ 34,437	\$ 7
Employee benefits	46,056	47,442	(1,386)
Purchased services	23,678	23,178	500
Supplies & other	700	528	172
Miscellaneous	5,250	5,250	-
Total General Education Services	<u>110,128</u>	<u>110,835</u>	<u>(707)</u>
Audio-visual:			
Purchased services	<u>11,952</u>	<u>11,952</u>	<u>-</u>
Total Audio-visual	<u>11,952</u>	<u>11,952</u>	<u>-</u>
Board of Education:			
Salaries	2,000	1,890	110
Purchased services	3,141	2,993	148
Supplies & other	600	1,010	(410)
Miscellaneous	2,670	2,668	2
Total Board of Education	<u>8,411</u>	<u>8,561</u>	<u>(150)</u>
Pupil Accounting			
Salaries	28,541	28,611	(70)
Benefits	11,855	11,551	304
Purchased services	3,000	2,701	299
Supplies	500	238	262
Total Pupil Accounting	<u>43,896</u>	<u>43,101</u>	<u>795</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Executive Administration:			
Salaries	\$ 223,372	\$ 223,678	\$ (306)
Employee benefits	59,049	59,027	22
Purchased services	35,300	27,262	8,038
Supplies and other	6,300	6,863	(563)
Capital outlay	45,078	11,080	33,998
Miscellaneous	7,200	6,560	640
Total Executive Administration	<u>376,299</u>	<u>334,470</u>	<u>41,829</u>
Fiscal Services:			
Insurance	1,937	1,929	8
Contracted services	11,950	6,519	5,431
Miscellaneous	800	1,526	(726)
Total Fiscal Services	<u>14,687</u>	<u>9,974</u>	<u>4,713</u>
Operation and Maintenance:			
Salaries	17,953	18,118	(165)
Employee benefits	10,699	10,002	697
Utilities and telephone	8,600	7,231	1,369
Purchased services	100	-	100
Repairs and maintenance	28,500	24,291	4,209
Supplies & other	800	535	265
Capital outlay	2,500	1,497	1,003
Total Operation & Maintenance	<u>69,152</u>	<u>61,674</u>	<u>7,478</u>
Computer Specialist:			
Salaries	36,410	37,163	(753)
Employee benefits	20,171	19,383	788
Purchased services	41,538	23,998	17,540
Supplies & other	43,195	41,169	2,026
Capital outlay	28,000	857	27,143
Total Computer Specialist	<u>169,314</u>	<u>122,570</u>	<u>46,744</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Drug Free Grants			
Salaries	\$ 46,613	\$ 46,887	\$ (274)
Employee Benefits	12,374	12,369	5
Purchased Services	11,581	9,989	1,592
Miscellaneous	28,521	31,186	(2,665)
Supplies	969	620	349
Total Drug Free Grants	<u>100,058</u>	<u>101,051</u>	<u>(993)</u>
Health grants:			
Salaries	79,055	79,834	(779)
Employee benefits	46,825	46,397	428
Purchased services	20,143	19,425	718
Supplies & other	10,994	8,882	2,112
Miscellaneous	8,572	6,280	2,292
Total Health Grants	<u>165,589</u>	<u>160,818</u>	<u>4,771</u>
Professional Development:			
Salaries	1,500	1,501	(1)
Employee benefits	376	375	1
Purchased services	19,070	19,700	(630)
Supplies & other	110	108	2
Miscellaneous	7,433	5,153	2,280
Total Professional Development	<u>28,489</u>	<u>26,837</u>	<u>1,652</u>
Truancy			
Employee benefits	40,296	40,086	210
Purchased services	5,500	2,187	3,313
Miscellaneous	5,027	1,232	3,795
Total Truancy	<u>50,823</u>	<u>43,505</u>	<u>7,318</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Instructional Technology			
Salaries	\$ 1,498	\$ 1,501	\$ (3)
Employee benefits	374	375	(1)
Purchased services	94,798	95,687	(889)
Supplies & other	3,179	3,219	(40)
Total Instructional Technology	<u>99,849</u>	<u>100,782</u>	<u>(933)</u>
Reading First			
Purchased services	3,482	2,754	728
Supplies & other	4,500	3,481	1,019
Miscellaneous	4,616	5,612	(996)
Total Reading First	<u>12,598</u>	<u>11,847</u>	<u>751</u>
Tri-County Literacy			
Purchased services	1,632	1,632	-
Miscellaneous	740	740	-
Total Tri-County Literacy	<u>2,372</u>	<u>2,372</u>	<u>-</u>
Other Supporting Services:			
Salaries	500	-	500
Employee benefits	150	-	150
Purchased services	5,900	240	5,660
Supplies & other	5,050	-	5,050
Miscellaneous	-	-	-
Total Other Supporting Services	<u>11,600</u>	<u>240</u>	<u>11,360</u>
TOTAL SUPPORTING SERVICES	<u>1,275,217</u>	<u>1,150,589</u>	<u>124,628</u>
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	<u>22,965</u>	<u>22,965</u>	<u>-</u>
TRANSFERS TO OTHER FUNDS	<u>37,717</u>	<u>37,717</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,335,899</u>	<u>\$ 1,211,271</u>	<u>\$ 124,628</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 4,043,332	\$ 3,975,087	\$ (68,245)
Interest on delinquent tax	7,000	5,041	(1,959)
Interest on investment	100,000	117,612	17,612
Rentals	18,000	18,580	580
Transportation	13,000	12,937	(63)
Miscellaneous	207,400	221,352	13,952
Medicaid - SBS	1,200,000	1,339,132	139,132
Tuition & fees	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES	<u>5,588,732</u>	<u>5,689,741</u>	<u>101,009</u>
REVENUE FROM STATE SOURCES:			
State aid - Section 26A, Renaissance	44,761	44,761	-
State aid - Section 51A	3,671,358	3,672,515	1,157
State aid - Section 53	3,926,616	3,926,615	(1)
State aid - Section 56	665,453	663,848	(1,605)
State aid - Section 81	406,951	406,951	-
State aid - Other	82,070	92,985	10,915
TOTAL REVENUE FROM STATE SOURCES	<u>8,797,209</u>	<u>8,807,675</u>	<u>10,466</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	91,079	78,740	(12,339)
94-142 Flowthrough	2,701,393	2,719,883	18,490
Preschool incentive	110,151	112,645	2,494
Infant & toddler	84,298	75,928	(8,370)
Other sources	11,600	11,585	(15)
Medicaid Outreach & Transportation	105,000	127,448	22,448
TOTAL REVENUE FROM FEDERAL SOURCES	<u>3,103,521</u>	<u>3,126,229</u>	<u>22,708</u>
TOTAL REVENUE	<u>17,489,462</u>	<u>17,623,645</u>	<u>134,183</u>
OTHER FINANCING SOURCES:			
Miscellaneous revenue	350	-	(350)
Sale of Assets	3,000	-	(3,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 17,492,812</u>	<u>\$ 17,623,645</u>	<u>\$ 130,833</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTIONS:			
Added needs:			
Salaries:			
Teachers	\$ 2,435,101	\$ 2,429,767	\$ 5,334
Substitute teachers	13,600	11,394	2,206
Teachers aides	1,382,000	1,295,899	86,101
Substitute teachers aides	107,785	107,994	(209)
Employee benefits:			
Insurance	1,228,413	1,205,258	23,155
Retirement	687,084	682,512	4,572
FICA	314,414	304,243	10,171
Purchased services	613,762	540,883	72,879
Teaching supplies	193,688	147,756	45,932
Capital outlay	99,508	76,001	23,507
Miscellaneous	3,500	3,044	456
TOTAL INSTRUCTION	<u>7,078,855</u>	<u>6,804,751</u>	<u>274,104</u>
SUPPORTING SERVICES			
Instructional Support			
Salaries	53,574	53,243	331
Employee benefits	124,644	126,287	(1,643)
Purchased services	338,080	302,574	35,506
Supplies	8,800	7,688	1,112
Miscellaneous	11,070	5,243	5,827
Total Instructional Support	<u>536,168</u>	<u>495,035</u>	<u>41,133</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services:			
Guidance Services			
Purchased services	\$ 24,295	\$ 23,163	\$ 1,132
Supplies & other	5,020	4,425	595
Health Services			
Salaries	584,157	581,121	3,036
Employee benefits	398,949	394,813	4,136
Purchased services	12,300	9,035	3,265
Supplies & other	10,000	9,539	461
Psychological Services			
Salaries	466,803	464,621	2,182
Employee benefits	205,421	202,554	2,867
Purchased services	24,800	18,853	5,947
Supplies & other	15,500	14,061	1,439
Capital outlay	600	-	600
Speech Pathology & Audiology Services			
Salaries	895,132	897,477	(2,345)
Employee benefits	427,894	416,262	11,632
Purchased services	112,300	109,353	2,947
Supplies & other	28,500	27,014	1,486
Capital outlay	8,600	6,834	1,766
Social Work Services			
Salaries	642,329	647,981	(5,652)
Employee benefits	282,352	280,752	1,600
Purchased services	29,700	10,861	18,839
Supplies & other	16,700	13,941	2,759
Visual Aid Services			
Salaries	69,411	70,112	(701)
Employee benefits	34,355	34,350	5
Purchased services	6,000	4,077	1,923
Supplies & other	4,300	2,499	1,801
Capital outlay	-	-	-

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Teacher Consultant			
Salaries	\$ 56,000	\$ 55,402	\$ 598
Employee benefits	25,988	25,685	303
Purchased services	75,380	58,091	17,289
Supplies & other	8,478	6,463	2,015
Other Pupil Support Services			
Salaries	117,195	119,697	(2,502)
Employee benefits	39,911	39,283	628
Purchased services	232,041	215,762	16,279
Supplies & other	21,200	11,168	10,032
Capital outlay	8,000	-	8,000
Miscellaneous	1,300	300	1,000
Total Pupil Services	<u>4,890,911</u>	<u>4,775,549</u>	<u>115,362</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
General Administration:			
Salaries	\$ 466,000	\$ 462,479	\$ 3,521
Employee benefits	123,827	116,827	7,000
Purchased services	309,200	205,503	103,697
Supplies	22,950	13,607	9,343
Capital outlay	25,000	16,592	8,408
Miscellaneous	5,900	2,984	2,916
Total General Administration	<u>952,877</u>	<u>817,992</u>	<u>134,885</u>
School Administration:			
Salaries	347,702	341,316	6,386
Employee benefits	159,835	153,166	6,669
Purchased services	66,600	39,296	27,304
Supplies & other	37,500	23,898	13,602
Capital outlay	52,500	14,174	38,326
Miscellaneous	7,500	2,247	5,253
Total School Administration	<u>671,637</u>	<u>574,097</u>	<u>97,540</u>
Operation & Maintenance:			
Salaries	203,961	170,779	33,182
Employee benefits	86,956	76,931	10,025
Insurances	30,600	11,215	19,385
Telephone	13,300	6,185	7,115
Utilities	32,600	26,735	5,865
Repairs & maintenance	19,600	10,209	9,391
Custodial supplies	67,000	57,568	9,432
Capital outlay	195,100	170,659	24,441
Total Operation & Maintenance	<u>649,117</u>	<u>530,281</u>	<u>118,836</u>
Pupil Transportation:			
Salaries	657,200	655,322	1,878
Employee benefits	370,660	376,030	(5,370)
Insurance	12,600	9,829	2,771
Repairs & maintenance	35,000	29,724	5,276
Leased payments	78,000	76,969	1,031
Gas, oil, & grease	130,000	135,518	(5,518)
Private auto	75,000	69,519	5,481
Capital outlay	155,000	135,139	19,861
Supplies	54,100	43,393	10,707
Total Pupil Transportation	<u>1,567,560</u>	<u>1,531,443</u>	<u>36,117</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Business Services:			
Salaries	\$ 90,252	\$ 90,377	\$ (125)
Employee benefits	21,994	22,124	(130)
Professional services	26,450	22,373	4,077
Workers Compensation	80,000	76,859	3,141
Interest	-	-	-
Misc. - property tax rebates	10,300	22,505	(12,205)
Total Business Services	<u>228,996</u>	<u>234,238</u>	<u>(5,242)</u>
Other Support Services			
Salaries	43,037	41,790	1,247
Employee benefits	36,987	35,373	1,614
Purchased services	38,400	32,482	5,918
Miscellaneous	17,200	7,739	9,461
Total Other Support Services	<u>135,624</u>	<u>117,384</u>	<u>18,240</u>
TOTAL SUPPORTING SERVICES	<u>9,632,890</u>	<u>9,076,019</u>	<u>497,498</u>
COMMUNITY SERVICES			
Salaries	6,205	5,324	881
Employee benefits	1,449	1,341	108
Purchased services	67,020	61,573	5,447
Supplies and other	18,082	6,283	11,799
TOTAL COMMUNITY SERVICES	<u>92,756</u>	<u>74,521</u>	<u>18,235</u>
TRANSFERS TO OTHER FUNDS	78,790	108,790	(30,000)
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	<u>381,968</u>	<u>331,718</u>	<u>50,250</u>
TOTAL EXPENDITURES	<u>\$ 17,265,259</u>	<u>\$ 16,395,799</u>	<u>\$ 869,460</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Properly taxes	\$ 2,699,918	\$ 2,676,734	\$ (23,184)
Interest on investments	22,000	24,284	2,284
Program sales	136,422	141,024	4,602
Tuition & fees	208,021	189,261	(18,760)
Rentals	388,429	399,779	11,350
Miscellaneous	15,531	27,515	11,984
TOTAL REVENUE FROM LOCAL SOURCES	<u>3,470,321</u>	<u>3,458,597</u>	<u>(11,724)</u>
REVENUE FROM STATE SOURCES:			
Administrative	12,000	48,800	36,800
Added costs	233,702	232,664	(1,038)
Millage grant	631,604	631,605	1
Section 81	266,602	266,602	-
Other State Sources	86,926	71,222	(15,704)
TOTAL REVENUE FROM STATE SOURCES	<u>1,230,834</u>	<u>1,250,893</u>	<u>20,059</u>
REVENUE FROM FEDERAL SOURCES:			
Perkins	121,146	121,146	-
Staffing grant	276,328	240,509	(35,819)
Tech prep	133,613	133,613	-
Other	206,751	224,294	17,543
REVENUE FROM FEDERAL SOURCES	<u>737,838</u>	<u>719,562</u>	<u>(18,276)</u>
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TUSCOLA TECHNOLOGY EDUCATION REVENUE	<u><u>\$ 5,438,993</u></u>	<u><u>\$ 5,429,052</u></u>	<u><u>\$ (9,941)</u></u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Added Needs:			
Salaries			
Teachers	\$ 1,325,809	\$ 1,322,843	\$ 2,966
Substitute teachers	1,566	1,427	139
Secretary	87,974	88,034	(60)
Employee benefits	660,920	649,318	11,602
Purchased services	79,894	76,886	3,008
Teaching supplies & other	221,041	221,244	(203)
Miscellaneous	6,562	3,119	3,443
Total Added Needs	<u>2,383,766</u>	<u>2,362,871</u>	<u>20,895</u>
Customized Training:			
Salaries			
Supervisor	39,621	39,621	-
Teacher	49,313	49,793	(480)
Employee benefits	45,806	43,713	2,093
Purchased services	38,421	38,248	173
Teaching supplies & textbooks	18,346	17,863	483
Capital outlay	552	552	-
Miscellaneous	445	444	1
Total Customized Training	<u>192,504</u>	<u>190,234</u>	<u>2,270</u>
TOTAL INSTRUCTION	<u>2,576,270</u>	<u>2,553,105</u>	<u>23,165</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Cooperative Coordinator:			
Salaries	\$ 123,643	\$ 124,285	\$ (642)
Employee benefits	98,916	98,034	882
Purchased services	2,548	2,577	(29)
Supplies & other	1,487	1,461	26
Miscellaneous	<u>145</u>	<u>2</u>	<u>143</u>
Total Cooperative Coordinator	<u>226,739</u>	<u>226,359</u>	<u>380</u>
General Administration:			
Salaries	140,591	140,590	1
Employees benefits	117,968	117,549	417
Purchased services	30,265	31,281	(1,016)
Supplies & other	4,808	5,361	(553)
Capital outlay	-	-	-
Miscellaneous	<u>200</u>	<u>783</u>	<u>(583)</u>
Total General Administration	<u>293,830</u>	<u>295,564</u>	<u>(1,734)</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Office of the Principal:			
Salaries	\$ 303,599	\$ 308,867	\$ (5,268)
Employee benefits	145,339	142,804	2,535
Purchased services	13,303	13,474	(171)
Supplies & other	4,345	3,402	943
Capital outlay	-	-	-
Miscellaneous	1,359	1,700	(341)
Total Office of the Principal	<u>467,945</u>	<u>470,247</u>	<u>(2,302)</u>
TTC Services:			
Purchased services	65,658	53,636	12,022
Supplies & other	21,472	15,665	5,807
Capital outlay	41,107	37,938	3,169
Total TTC Services	<u>128,237</u>	<u>107,239</u>	<u>20,998</u>
Data Processing:			
Salaries	148,719	149,191	(472)
Employee benefits	93,233	92,999	234
Purchased services	67,300	59,733	7,567
Supplies & other	21,700	19,609	2,091
Miscellaneous	190	63	127
Capital Outlay	1,108	2,677	(1,569)
Total Data Processing	<u>332,250</u>	<u>324,272</u>	<u>7,978</u>
Operation & Maintenance:			
Salaries - Supervisors	31,568	29,313	2,255
Salaries - Secretary	156,220	162,943	(6,723)
Employee benefits	103,692	99,875	3,817
Telephone & sewage	9,360	8,310	1,070
Utilities	132,235	124,319	7,916
Purchased services	51,634	47,824	3,810
Supplies & other	13,651	12,723	928
Capital Outlay	1,498	1,497	1
Total Operation & Maintenance	<u>499,878</u>	<u>486,804</u>	<u>13,074</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY FUND -
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Other Supporting Services:			
Salaries	\$ 11,266	\$ 6,443	\$ 4,823
Employee benefits	2,421	1,211	1,210
Professional service	8,724	7,982	742
Insurance	6,725	945	5,780
Supplies	15,188	11,992	3,196
Capital outlay	1,652	1,684	(32)
Miscellaneous	83,505	106,842	(23,337)
Total Other Supporting Services	<u>129,481</u>	<u>137,099</u>	<u>(7,618)</u>
TOTAL SUPPORTING SERVICES	2,078,360	2,047,584	30,776
COMMUNITY SERVICES			
Salaries	256,098	254,679	1,419
Employee benefits	168,655	168,531	124
Purchased services	60,424	59,719	705
Supplies	<u>16,910</u>	<u>16,721</u>	<u>189</u>
TOTAL COMMUNITY SERVICES	502,087	499,650	2,437
TRANSFERS TO OTHER FUNDS	19,807	19,807	-
TRANSFERS TO OTHER DISTRICTS/MUNICIPALITIES	115,613	115,614	(1)
TOTAL TUSCOLA TECHNOLOGY EDUCATION FUND EXPENDITURES	<u>\$ 5,292,137</u>	<u>\$ 5,235,760</u>	<u>\$ 56,377</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Health education workshops	\$ 50,000	\$ 55,463	5,463
Cooperative purchasing	1,450	2,179	\$ 729
Miscellaneous	166,050	169,431	3,381
Interest on investments	<u>1,600</u>	<u>1,457</u>	<u>(143)</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>219,100</u>	<u>228,530</u>	<u>9,430</u>
REVENUE FROM STATE SOURCES:			
State aid	<u>88,410</u>	<u>90,677</u>	<u>2,267</u>
REVENUE FROM FEDERAL SOURCES:			
Title VI	<u>3,337</u>	<u>3,337</u>	<u>-</u>
TRANSFERS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 310,847</u>	<u>\$ 322,544</u>	<u>\$ 11,697</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATION MEDIA CENTER
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES			
Audio Visual Services:			
Salaries	\$ 137,801	\$ 142,730	\$ (4,929)
Employee benefits	68,565	68,782	(217)
Purchased services	32,137	31,258	879
Supplies	2,400	2,845	(445)
Miscellaneous	1,100	1,008	92
Total Audio Visual Services	<u>242,003</u>	<u>246,623</u>	<u>(4,620)</u>
Other Support Services:			
Capital outlay	-	-	-
Purchased services	16,635	16,555	80
Supplies & other	-	-	-
Total Other Support Services	<u>16,635</u>	<u>16,555</u>	<u>80</u>
Operation & Maintenance:			
Vehicle repair	2,600	1,622	978
Telephone	-	-	-
Contract services	2,381	2,359	22
Utilities	14,300	13,425	875
Supplies & other	2,200	1,950	250
Capital outlay	1,500	1,326	174
Total Operation & Maintenance	<u>22,981</u>	<u>20,682</u>	<u>2,299</u>
TOTAL SUPPORTING SERVICES	<u>281,619</u>	<u>283,860</u>	<u>(2,241)</u>
TRANSFERS TO OTHER FUNDS	<u>2,050</u>	<u>1,500</u>	<u>550</u>
TOTAL EXPENDITURES	<u>\$ 283,669</u>	<u>\$ 285,360</u>	<u>\$ (1,691)</u>

**TUSCOLA INTERMEDIATE SCHOOL DISTRICT
HOT LUNCH FUND
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Local:			
Meals	\$ 12,000	\$ 11,871	\$ (129)
Interest	150	118	(32)
Miscellaneous	<u>15,285</u>	<u>15,563</u>	<u>278</u>
Total Local	<u>27,435</u>	<u>27,552</u>	<u>117</u>
State aid	<u>4,978</u>	<u>4,945</u>	<u>(33)</u>
Federal aid	<u>49,000</u>	<u>46,857</u>	<u>(2,143)</u>
TOTAL REVENUE	<u>81,413</u>	<u>79,354</u>	<u>(2,059)</u>
EXPENDITURES:			
Food	37,150	38,206	(1,056)
Federal food allocation	5,000	5,025	(25)
Non-food items	4,700	4,491	209
Salaries	33,500	33,582	(82)
Employee benefits	23,247	23,578	(331)
Purchased service	2,587	2,215	372
Miscellaneous supplies	100	45	55
Capital outlay	4,850	3,843	1,007
Miscellaneous	<u>700</u>	<u>478</u>	<u>222</u>
TOTAL EXPENDITURES	<u>111,834</u>	<u>111,463</u>	<u>371</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(30,421)</u>	<u>(32,109)</u>	<u>(1,688)</u>
OTHER FINANCING SOURCES:			
Operating transfers from other funds	35,000	35,000	-
EXCESS (DEFICIT) OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 4,579</u>	<u>2,891</u>	<u>\$ (1,688)</u>
FUND BALANCE - JULY 1		<u>10,485</u>	
FUND BALANCE - JUNE 30		<u>\$ 13,376</u>	

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
TUSCOLA TECHNOLOGY STUDENT ACTIVITY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	DUE TO STUDENT ACTIVITIES & OTHER ORGANIZATIONS <u>June 30, 2007</u>	RECEIPTS <u> </u>	DISBURSEMENTS <u> </u>	DUE TO STUDENT ACTIVITIES & OTHER ORGANIZATIONS <u>June 30, 2008</u>
TOTAL AGENCY FUND	\$ 54,163	\$ 119,888	\$ 122,341	\$ 51,710

TUSCOLA INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2008

\$547,514 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 30,471	\$ 7,978	2009	\$ 38,449
31,920	6,527	2010	38,447
33,441	5,008	2011	38,449
35,031	3,415	2012	38,446
192,424	65,901	2013	258,325
<u>\$ 323,287</u>	<u>\$ 88,829</u>		<u>\$ 412,116</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for furnishing and equipping the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

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Schedule of Findings and Questioned Costs

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Schedule of Prior Audit Findings

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Gary R. Anderson, CPA
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Timothy Franzel

Robert L. Tuckey, CPA

August 29, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Tuscola Intermediate School District
Caro, MI 48723

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuscola Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Tuscola Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tuscola Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tuscola Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described as 2008-1 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency described above as 2008-1, we considered to be a material weakness.

715 East Frank Street
Caro, MI 48723

989-673-3137
800-234-8829
Fax 989-673-3375

www.atbdcpa.com
cpa@atbdcpa.com

Office locations in Caro,
Cass City & Marlette

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Tuscola Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Tuscola Intermediate School District in a separate letter dated August 29, 2008.

Tuscola Intermediate School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tuscola Intermediate School District's response and accordingly, we express no opinion on them.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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August 29, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Tuscola Intermediate School District
Caro, MI 48723

COMPLIANCE

We have audited the compliance of Tuscola Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Tuscola Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tuscola Intermediate School District's management. Our responsibility is to express an opinion on Tuscola Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tuscola Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Tuscola Intermediate School District's compliance with those requirements.

In our opinion, Tuscola Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of Tuscola Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Tuscola Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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989-673-3137
800-234-8829
Fax 989-673-3375

www.atbdcpa.com
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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tuscola Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated August 29, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Tuscola Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/
PASS-THROUGH GRANTOR/
PROGRAM TITLE

U. S. DEPARTMENT OF EDUCATION:
Passed through Michigan Dept. of Education:

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
Title I							
84.010	0815300708 0715300607	\$ 31,255 28,605 59,900	- \$ 220 220	- \$ 13,603 13,603	\$ 7,229 15,222 22,451	\$ 10,544 15,002 25,546	\$ 3,715 - 3,715
Title V							
84.238	0802500708 0702500506	3,437 4,266 7,703	- 100 100	- 4,266 4,266	3,437 100 3,537	3,437 - 3,437	- - -
Public Law 94-142							
84.027	0804500708 070450 0604500506 070450TS 084080TS 0804808QSD 0804400708	2,399,098 2,389,765 2,360,821 76,300 60,000 50,000 4,500	- 123,447 50,290 10,320 - - -	- 1,682,872 2,390,821 70,000 - - 4,133,693	1,641,166 830,340 50,260 10,320 55,737 49,394 4,500	1,998,490 705,559 - - 60,000 50,000 4,500	257,324 - - - 4,353 606 -
84.173	0804600708 070460607	176,810 117,104 234,014	- 12,062 12,062	- 98,283 98,283	83,686 30,883 114,549	93,824 18,621 112,645	10,158 - 10,158
Infant/Toddler							
84.181	081340190 071340190	83,217 82,250 165,467	- 19,260 19,260	- 81,470 81,470	67,134 30,340 87,474	74,847 1,060 75,927	7,713 - 7,713
Title II A							
84.367	0705200607 0605200706	632 632 1,264	632 - 632	632 - 632	632 632 1,264	- 632 632	- - -
Tech Prep - Perkins							
84.243A	0835408014-11 0735407014-11	133,513 128,758 262,371	- 24,793 24,793	- 128,758 128,758	76,214 24,793 101,007	133,613 - 133,613	57,399 - 57,399

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION. Passed through Michigan Dept. of Education:								
Drug Free Grant	84.186	628800506 828600708 728800607	\$ 140,916 99,704 101,151 <u>341,771</u>	\$ 15,019 - \$ 49,938 <u>64,957</u>	\$ 140,208 - \$ 75,871 <u>216,079</u>	\$ 15,019 48,896 75,218 <u>139,133</u>	\$ 75,771 - 25,280 <u>101,051</u>	\$ 26,675 - 26,675 <u>26,675</u>
Passed through Sanilac ISD:								
Secondary CTE Perkins	84.048A	V048A070022A	121,146 <u>121,146</u>	- -	- -	121,146 <u>121,146</u>	121,146 <u>121,146</u>	- -
Passed through Lapeer ISD:								
Adult Ed & Family Literacy	84.002A	811087081130	28,716 <u>28,716</u>	- -	- -	28,716 <u>28,716</u>	28,716 <u>28,716</u>	- -
Passed through Vassar Community Schools:								
Title I	84.010	081700708 0717000607	44,784 44,978 <u>88,760</u>	- (8,806) <u>(9,906)</u>	- 35,070 <u>35,070</u>	26,790 - <u>26,790</u>	42,888 9,806 <u>52,794</u>	14,098 - <u>14,098</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 8,666,296	\$ 296,175	\$ 4,711,854	\$ 3,289,814	\$ 9,375,790	\$ 382,151

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF AGRICULTURE								
Passed through Michigan Fitness Foundation:								
Penut	10.561	07-89002	\$ 129,443	\$ 17,556	\$ 50,627	\$ 62,160	\$ 78,816	\$ 34,212
			129,443	17,556	50,627	62,160	78,816	34,212
Passed through M.D.E. Commodity	10.550		5,025	-	-	5,025	5,025	-
Supplemental Food Program	10.555		-	1,704	-	41,840	41,832	1,896
National School Lunch			5,025	1,704	-	46,865	46,857	1,896
Passed through Thumb Area Michigan Works:								
Staffing Grant	10.561		606	-	-	606	606	-
			606	-	-	606	606	-
			135,074	19,260	50,627	109,631	128,279	35,908
TOTAL U.S. DEPARTMENT OF AGRICULTURE								
U.S. DEPARTMENT OF INTERIOR, FISH, AND WILDLIFE SERVICE								
Clean School Bus USA	66.036		50,000	20,832	20,832	32,417	11,585	-
			50,000	20,832	20,832	32,417	11,585	-
			50,000	20,832	20,832	32,417	11,585	-
TOTAL U.S. DEPARTMENT OF INTERIOR, FISH, AND WILDLIFE SERVICE								
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES								
Passed through Michigan Department of Social Services	93.778		50,727	11,070	-	56,688	50,727	5,108
Medicaid Cluster			76,722	-	-	76,722	76,722	-
Transportation			127,445	11,070	-	133,410	127,449	5,108
Administrative Outreach								
Passed through Michigan Department of Community Health:	93.235	07-08	119,500	33,017	96,535	55,962	22,965	-
Michigan Abstinence Partnership Program								

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES - Health Ed - Medicaid portion	93 778		\$ 27,778	\$ 6,739	-	\$ 34,517	\$ 27,778 *	-
			27,778	6,739	-	34,517	27,778	-
Passed through Thumb Area Michigan Works: T.A.N.F. - Staffing Grant	93.558		55,041	-	-	41,823	55,041	\$ 13,418
			55,041	-	-	41,823	55,041	13,418
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			328,768	50,826	\$ 86,635	265,532	233,233	18,527
U.S. DEPARTMENT OF LABOR: Passed through Thumb Area Michigan Works: Cluster: WIA Adult - Summer Camp	17 207		67,818	18,188	-	69,303	67,818	16,493
WIA Adult	17,256 *		209	-	-	209	209	-
WIA Youth - Summer Camp	17,258 *		67,275	12,658	-	78,680	87,275	21,373
WIA Youth	17,259 *		227	-	-	227	227	-
WIA Adult	17,258 *		81,555	-	-	33,271	81,555	48,284
WIA Adult	17,259 *		27,348	-	-	27,348	27,348	-
Career Prep	17,259 *		80,000	41,837	-	41,837	-	-
WIA Dislocated Worker - Summer Camp	17,260 *		379	-	-	379	379	-
WIA Dislocated Worker	17,260 *		40,352	14,184	-	54,536	40,352	-
WIA Dislocated Worker-IDC	17,260 *		73,879	-	-	73,879	73,879	-
			390,616	68,679	-	310,346	311,224	69,557
WIA Research & Innovation	17,261		1,598	-	-	1,598	1,598	-
TOTAL U.S. DEPARTMENT OF LABOR			459,834	66,847	-	381,247	380,440	86,040
GRAND TOTAL			\$ 9,640,972	\$ 473,940	\$ 4,879,848	\$ 4,078,641	\$ 4,127,327	\$ 522,826

The accompanying notes are an integral part of this schedule.
* = cluster

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>DRUG FREE SCHOOLS & COMMUNITIES</u>	84.186	0828600708	
Akron-Fairgrove			\$ 475
Cass City			5,165
Carsonville-Port Sanilac			210
Croswell-Lexington			4,030
Deckerville			1,854
Harbor Beach			1,410
Kingston			1,500
Marlette			3,000
North Huron			1,313
Owendale Gagetown			673
Peck			1,163
Reese			550
Sandusky			3,000
Ubley			1,845
Unionville-Sebewaing			2,822
Vassar			1,545
			<u>\$ 30,555</u>
<u>TECH PREP - PERKINS</u>	84.243	083540801411	
Akron-Fairgrove			\$ 2,000
Caro			2,330
Cass City			2,000
Huron ISD			24,484
Kingston			2,000
Lapeer County ISD			30,628
Mayville			2,000
Millington			1,995
Reese			1,652
Sanilac County ISD			25,405
Unionville-Sebewaing			2,631
Vassar			762
			<u>\$ 97,887</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tuscola Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Special Education IDEA, CFDA 84.027, and Special Education Preschool, CFDA 84.173A Cluster, and WIA Cluster, CFDA 17.258, 17.259 and 17.260 were audited as major programs and represent 76% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$4,127,327</u>
Federal expenditures per Schedule of Federal Awards	<u>\$4,127,327</u>

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☒ Yes ☐ No
 - Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
 - Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	Special Education IDEA
84.173A	Special Education Preschool
17.258, 17.259, 17.260	WIA

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

(Continued)

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings

Finding considered material weaknesses

• **Finding 2008-1**

Criteria:

Effective for the year ended June 30, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Tuscola Intermediate School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

TUSCOLA INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

- **Finding 2007-1 Material Weakness**

Condition:

After considering the qualifications of the accounting personnel of Tuscola Intermediate School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but the do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Current Status: The District maintains that it is not cost efficient to develop this expertise. They plan to continue to use external auditors for this technical assistance.

- **Finding 2007-2 Significant Deficiency**

Condition:

Adjustments were not made to accurately reflect the transactions taking place during June and the District's bank account did not balance.

Recommendation:

We do not recommend any changes to this situation at this time. The District's accounting staff spent countless hours searching for the cause. A review of prior month's reconciliation's revealed the account had been reconciled in a timely fashion.

Current Status: Adjustments were accurately made and District's bank account was correct at year end. They will continue to reconcile all bank accounts each month.

- **Finding 2007-3 Significant Deficiency**

Condition:

The District's accounting staff requested \$100,000 of IDEA PL94-142 funds in excess of its immediate cash needs. In addition, the District was overpaid \$9,900 by another district (Tuscola Intermediate School District was a sub-recipient) on a Title I program.

Recommendation:

The District's current practice is to request funds each month after the federal expenditures are made. We recommend that the District monitor their year-to-date funds received by project and cross-reference this information to the state report that is generated. Any inadvertent overpayments should be refunded in a timely manner.

Current Status: The District is aware that overpayments should be refunded. If the District is overpaid they will promptly refund the overpayment.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
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Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert J. Tuckey, CPA

August 29, 2008

Members of the Board
Tuscola Intermediate School District

In planning and performing our audit of the financial statements of the Tuscola Intermediate School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 12, 2008 on the financial statements of Tuscola Intermediate School District. Our comments are summarized as follows:

Current Year Comments

Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

715 East Frank Street
Caro, MI 48723

989-673-3137
800-234-8829
Fax 989-673-3375

www.atbdcpa.com
cpa@atbdcpa.com

Office locations in Caro,
Cass City & Marlette

Members of the Board
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Journal entries

At the present time, the business manager prepares the majority of the journal entries and then posts them or has another staff person do the posting. There is no indication on the entry regarding who prepared it, who approved it, and who posted it. To improve your internal control, we recommend that all journal entries include this information.

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Tuscola Intermediate School District and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Hasko, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

August 29, 2008

To the Members of the Board
Tuscola Intermediate School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Tuscola Intermediate School District for the year ended June 30, 2008, and have issued our report thereon dated August 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Tuscola Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Tuscola Intermediate School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Tuscola Intermediate School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Tuscola Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Tuscola Intermediate School District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 24, 2008.

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cpa@athdcpa.com

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Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Tuscola Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences and state aid. The estimated liability for compensated absences is approximately \$934,222. The estimated receivable for state aid is \$768,742. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Tuscola Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants